

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suede G. Kelly.

Conectiv Bethlehem, LLC

Docket Nos. ER04-231-000 and  
ER04-231-001

ORDER CONDITIONALLY ACCEPTING PROPOSED TARIFF

(Issued March 24, 2004)

1. In this order, we accept, to become effective April 1, 2004, a proposed tariff rate schedule filed by Conectiv Bethlehem, LLC (Conectiv) setting forth the rate that permits Conectiv to recover its cost of providing Reactive Power Supply and Voltage Control (Reactive Power) in the PJM Interconnection, L.L.C. control area.

**Background**

2. On November 26, 2003, as supplemented on January 30, 2004, Conectiv submitted a rate schedule and cost support for Reactive Power to be provided by Conectiv's 885 MW generation station located in Bethlehem, Pennsylvania (Bethlehem Facility) to PJM's transmission grid pursuant to Rate Schedule No. 2 under the PJM Open Access Transmission Tariff (PJM OATT). As discussed below, the Commission accepts the rate schedule to become effective April 1, 2004. Conectiv also requests waiver of prior notice requirements contained in Section 35.3 of the Commission's regulations, 18 C.F.R. § 35.3 (2004).

3. The Bethlehem Facility is a merchant generating plant located in the PP&L zone for the purposes of determining the PJM OATT zonal revenue requirements for Schedule 2 Reactive Supply Service. The Bethlehem Facility consists of six dual fuel combustion turbine units rated at 117MW each and one heat recovery steam generator rated at 183 MW. Conectiv states that the facility began commercial operations on May 2, 2003.

4. Conectiv develops its Reactive Power revenue requirements using two components: first, a fixed capability component that recovers the portion of plant investment cost attributable to reactive power capability of the facility (Fixed Capability Component) and second, an incremental component that recovers the cost of increased

generator heating losses (Heating Losses Component). Because the Bethlehem facility does not have a significant period of operating experience it used comparable units (Hayroad Units) as a proxy for heat losses associated with the Bethlehem facility. Conectiv states that heat loss revenues were calculated as the product of the total estimated losses for the Bethlehem facility and the three year average of the Hosensack Locational Marginal Price (LMP) as a proxy since most of the power would be delivered over the 550kv line to the Hosensack Substation.

### **Notice of Filing and Responsive Pleadings**

5. Notice of the November 26, 2003, filing was published in the Federal Register, 68 Fed. Reg. 68,891 (2003), with comments, protests, and interventions due on or before December 17, 2003. PJM Interconnection, L.L.C. (PJM) and PPL Electric Utilities Corporation (PPL Electric) filed motions to intervene and comments.

6. On January 23, 2004, a Delegated Letter Order (Deficiency Letter) was issued to Conectiv requesting clarification of certain provisions contained in its proposal. On January 30, 2004, Conectiv filed an amendment to its filing in response to the Deficiency Letter.

7. Notice of Conectiv's amendment was published in the Federal Register, 69 Fed. Reg. 6961 (2004), with comments, interventions and protests due on or before February 20, 2004.

### **Procedural Matters**

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2003), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. On January 16, 2004, Conectiv filed an answer. Pursuant to Rule 213 (a) (2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385(a)(2)(2003), an answer may not be made to a protest unless otherwise ordered by the decisional authority. However, the Commission finds good cause to admit Conectiv's answer since it provides information that assists the Commission in addressing the issues raised.

### **Discussion**

9. On January 23, 2004, the Commission issued a deficiency letter requesting Conectiv to provide additional support for its proposed Reactive Power Service revenue requirement. The letter directed Conectiv to provide supporting data from plant accounting records for its total generation step-up transformer (GSU) investment. Also, Conectiv was required to support its use of proxy allocators used in calculating the Fixed Capability Component Revenue Requirement for the Reactive Portion of the facility,

including a showing that the proxies are appropriate based on the operation and design of the units.

10. On January 30, 2004, Conectiv made a supplemental filing in response to the Commission's January 23, 2004, Deficiency Letter. In the filing, Conectiv provides supporting GSU cost documentation from plant accounting records, as well as additional information, supporting cost documentation and a showing why the use of the above mentioned proxies are appropriate based on the operation and design of the facility. Conectiv also requests an April 1, 2004 effective date for its Reactive Power Service rate.

11. In its comments regarding Conectiv's November 26, 2003 filing, PJM requests that the Commission make the rate schedule effective date the first day of the month after the Commission approval of the rate schedule. PJM states that Conectiv authorizes PJM to state it does not oppose PJM's request for such an effective date. As noted above, Conectiv has requested an effective date of April 1, 2004 in its response to the Deficiency Letter. We grant Conectiv's request for an effective date of April 1, 2004.

12. In addition, PJM notes that Conectiv is not currently a member of PJM, and that membership in PJM is required to sell products and services in the PJM marketplace. PJM further states that Conectiv has authorized PJM to state that Conectiv will provide PJM with all the necessary applications and related materials to become a PJM member and that they are working diligently to complete the membership application process prior to the effective date of the rate schedule. The Commission finds that because both parties are in agreement with PJM's requested conditions, there is no need for the Commission act on these matters here.

13. PPL Electric filed comments in opposition to Conectiv's November 26, 2003 filing. (PPL Electric did not file a response to Conectiv's January 30, 2004 response to the Deficiency Letter). PPL Electric opposes certain aspects of Conectiv's request for recovery of annual revenue requirements associated with the provision of Reactive Power Supply. First, PPL Electric argues that the LMP at the Hosensack 500kv proxy used by Conectiv to estimate the energy revenues is higher than PPL Electric has been able to verify. Second, PPL Electric argues that Conectiv appears to have made computational errors in its filing. PPL Electric also notes that Conectiv failed to provide supportive GSU cost documentation from plant accounting records. Finally, PPL Electric argues that Conectiv has incorrectly calculated the cost for Remaining Total Production Plant Allocated to Reactive Power Production.

14. In its answer to PPL Electric, Conectiv argues that PPL Electric does not understand Conectiv's approach to calculating heating losses, and explains that Conectiv uses the hours of operation for its Hayroad facility as a proxy for the hours of operation for the Bethlehem facility. Conectiv also argues that the calculation error noted by PPL Electric results in a \$70 reduction in the annual revenue requirement, which, Conectiv

argues, is too minor to provide grounds for ordering a hearing process. Conectiv also argues that PPL Electric's proposed calculation of Remaining Total Production Plant Allocated to Reactivate Power Production is not consistent with the Commission's methodology in American Electric Power Service Corp., 80 FERC ¶ 63,006 (1997), aff'd 88 FERC ¶ 61,290 (2002).

15. In the case of Conectiv's use of LMPs at the Hosensack 500kv bus to determine cost of losses, we find that Conectiv's explanation that the stated LMP prices reflect average LMP prices over three years based on the specific hours of Hayroad's operations is adequately supported and is reasonable.<sup>1</sup> Conectiv's calculation error is the difference between combustion turbine (CT) costs for all CTs except unit 4 on page 1 of Schedule 1 and total CT costs for all CTs except unit 4 of page 2 of Schedule 1, resulting in a \$70.00 revenue requirement change. We find that Conectiv must refile its tariff with the Commission, correcting any calculation errors present in the first filing. The Commission finds that Conectiv in its supplemental January 30, 2004, filing satisfied the Commission's and PPL Electric's concerns pertaining to supportive GSU cost documentation from plant accounting records. Finally, the Commission finds that Conectiv's calculation of Remaining Total Production Plant Allocated to Reactive Power Production is consistent with the Commission's accepted methodology in American Electric Power Service Corp.

The Commission orders:

(A) The proposed rate schedule is accepted, subject to conditions, as discussed in the body of this order, to become effective April 1, 2004.

(B) Conectiv must refile its tariff sheets as directed in the order to correct any computational errors present in its original filing.

By the Commission.

( S E A L )

Linda Mitry,  
Acting Secretary.

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<sup>1</sup> See Duke Energy Fayette, LLC, 104 FERC ¶ 61,090, at P 17 (2004) (allowing proxies when there is no operating history).